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FINENESS PRICE DIFFERENTIALS FOR SELECTED QUALITIES OF
TEXAS HIGH PLAINS COTTON

(Week ending December 15, 1962)

By Maurice R. Cooper and William F. Harris 1/

This is the first report summarizing some of the initial work done under a research project initiated in 1962 by the U. S. Department of Agriculture in response to recommendations by leaders of the domestic cotton industry. These leaders repeatedly contended that the failure of market prices (and in turn, loan rates) to reflect more adequately true differences in spinning value was seriously affecting the quality and the competitive position of U. S. cotton. Therefore the main objective of the information being developed as a part of the project is to help reduce such price deficiencies and their adverse effects. Since fineness differences are being reflected in commercial practices, first efforts have been directed toward developing information on this property.

Industry representatives and marketing research workers in Texas were specially interested in the practical possibilities of giving more attention to properties other than grade and staple length--and particularly to fineness--in pricing cotton. This accounts for the initial phases of the project being undertaken in Texas as a cooperative Federal-State effort. A 1956-57 study 2/ as well as checks made shortly after this project was begun, clearly showed that next to grade and staple length, fineness is the cotton property which has thus far received the greatest amount of attention by domestic shippers and spinners. Furthermore, a large majority of the shippers contacted in the process of developing the present study expressed the opinion that separate price differentials for fineness should and could be established at this time but that this was not the case for any other additional property. Almost as large a majority indicated a willingness to help develop some differentials for fineness for a few selected quality combinations of Texas High Plains cotton. Several of the shippers were especially helpful in developing the questionnaire which was used to secure essential information for this study.

Because the views of the shippers differed materially both as to the combinations of grades, staple lengths, and micronaire readings which should be covered, provisions were made in the questionnaire for two reporting procedures. The first provided for the differentials to be reported for those specified, or standardized, quality combinations shown in tables 1 and 2 with a designated "base" micronaire reading of 3.5 to 3.9 and "based on sales with no micronaire 'control limit' or converted to an equivalent basis." The second procedure was designed to permit the shipper to designate and use the quality combinations, the base, and the control limits preferable to his firm. In both instances the differentials reported were to be applicable to Texas High Plains cotton and were to represent the "number of points which together with . . . differences for listed grades and staple lengths, and quotations for Middling Inch cotton would provide (the) firm's best judgment of the market prices obtainable for . . . sales of cotton with the several properties indicated."

1/ Mr. Cooper is an agricultural economist in the Marketing Economics Division, Economic Research Service, U. S. Department of Agriculture, and Mr. Harris is Director, Cotton Economic Research, The University of Texas, which is a part of the Cotton Research Committee of Texas.

2/ See Use of Cotton Fiber Tests by United States Cotton Shippers, Southern Cooperative Series Bulletin 62, June 1962.

STANDARD FORMS FOR THE UNITED STATES
1917

(When filled in, please use ink)

1. Name of the person or organization

This is the first of the forms in the series of forms for the purpose of recording the results of the investigation of the person or organization named in the title of the form. It is to be filled in by the person or organization named in the title of the form, and it is to be filled in by the person or organization named in the title of the form. It is to be filled in by the person or organization named in the title of the form, and it is to be filled in by the person or organization named in the title of the form.

2. Address of the person or organization
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3. Nature of the business or occupation
This is the nature of the business or occupation of the person or organization named in the title of the form. It is to be filled in by the person or organization named in the title of the form, and it is to be filled in by the person or organization named in the title of the form. It is to be filled in by the person or organization named in the title of the form, and it is to be filled in by the person or organization named in the title of the form.

4. Date of the report
This is the date of the report. It is to be filled in by the person or organization named in the title of the form, and it is to be filled in by the person or organization named in the title of the form. It is to be filled in by the person or organization named in the title of the form, and it is to be filled in by the person or organization named in the title of the form.

The questionnaire was sent to 25 shippers operating in the major central markets in Texas who handled sizable amounts of Texas High Plains cotton. Approximately one-third of the questionnaires were returned. 3/

Results Obtained from First Questionnaire

An important immediate objective of the initial questionnaire was to help establish a uniform basis for reporting fineness differentials. It seems highly significant that each of the 8 firms returning the questionnaire used the suggested standard form rather than the form permitting adjustments to individual preferences. While 2 of the responding firms suggested the base for reporting should be 3.5 and above, they did not recommend that even that part of the form be changed. They apparently recognized that all respondents who agreed with them about the base need only insert "even" in the two right-hand columns of the existing form. In this connection it is significant to note that of the 8 respondents, 3 reported at least some premiums for cotton with micronaire readings of 4.0 to 5.0. Only one firm reported any differentials for cotton with micronaire readings of 5.1 and above and these were all premiums. (See tables 1 and 2). One interesting aspect of the latter is that in previous discussion with shippers some of them had suggested a micronaire grouping of 5.1 and above be included on the ground that at least some spinners discount cotton which "mikes" above 5.0.

Other important aspects of a widely accepted uniform procedure for quoting separate price differentials for fineness are what, if any, grade and staple length combinations and production areas should be specifically provided for. If, as some shippers have contended, the micronaire differentials need not vary either because of grade, staple length, or production area, the problems and costs of giving variation in fineness full and separate consideration in the marketing of cotton would be considerably less than if such factors must be considered. It may be highly significant, therefore, that the questionnaire from 5 of the 8 respondents showed at least some variations in the differentials reported for a particular micronaire group as the grade and staple length combinations varied. Furthermore, the fact that 2 of the other 3 respondents reported differentials applicable to some but not all the grade and staple combinations for a given micronaire grouping suggests that they, too, recognize that fineness differentials may depend at least in part on grade and staple length. In regard to production areas, however, only 1 of the 8 respondents indicated that the differentials as reported (and presumably based mainly or to a considerable extent on sales of Texas High Plains cotton) did not apply at least reasonably well to most of the firm's sales of non-High Plains cotton.

Related Developments and Plans

Stimulated, and possibly aided, to some extent by the work summarized above, the quotations committee in one of the 14 designated markets has started quoting "micronaire differences as they exist in this market." On February 13 the Lubbock Quotations Committee established the following differentials which were published in a Special Bulletin of the Lubbock Cotton Exchange released February 14:

3/ There are apparently a number of reasons for the relatively small response to the initial questionnaire. Possibly, the most important of these are (a) the relatively little separate attention the trade had thus far given to variations in fineness as a price-determining factor and (b) the lack of more adequate information on the effects of fiber fineness on cotton spinning costs and on yarn quality.

THE SECRETARY OF THE ARMY
WASHINGTON, D. C.
JANUARY 1, 1900

REPORT OF THE SECRETARY OF THE ARMY

For the year ending June 30, 1899, the Secretary of the Army has the honor to report to the House of Representatives the following: The Department has been very busy during the year, and has accomplished much of its work. The most important of these is the completion of the new Army Bill, which has been passed by the House and is now before the Senate. This Bill will give the Secretary of the Army the power to appoint and remove officers of the Army, and will also give him the power to appoint and remove officers of the Navy. This is a very important power, and it is very desirable that it should be given to the Secretary of the Army. The Department has also been very busy with the work of the War Department, and has accomplished much of its work. The most important of these is the completion of the new War Department Bill, which has been passed by the House and is now before the Senate. This Bill will give the Secretary of the War Department the power to appoint and remove officers of the War Department, and will also give him the power to appoint and remove officers of the Navy. This is a very important power, and it is very desirable that it should be given to the Secretary of the War Department.

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Table 1.--Shippers average sales price fineness (or micronaire) differentials for specified quality combinations of Texas High Plains Cotton, week ending December 15, 1962 1/

Grades and staple lengths	Levels of micronaire reading					
	2.6 and below	2.7-2.9	3.0-3.4	3.5-3.9	4.0-5.0	5.1 and above
	Points	Points	Points	Base	Points	Points
<u>Mid. White:</u>						
7/8" and 29/32".....	2/ -350	2/ -204	-77	Even	3/	4/
15/16" and 31/32".....	2/ -358	2/ -208	-77	"	3/	4/
1" and above.....	2/ -342	2/ -221	-79	"	3/	4/
<u>Strict Low Mid. White:</u>						
7/8" and 29/32".....	2/ -339	-162	-73	"	3/	4/
15/16" and 31/32".....	2/ -346	-165	-76	"	3/	4/
1" and above.....	2/ -357	-174	-85	"	3/	4/
<u>Mid. Light Spot:</u>						
7/8" and 29/32".....	-311	-159	-70	"	3/	4/
15/16" and 31/32".....	-318	-162	-73	"	3/	4/
1" and below.....	-329	-171	-82	"	3/	4/
<u>Strict Low Mid. Lt. Spot:</u>						
7/8" and 29/32".....	-321	-168	-79	"	3/	4/
15/16" and 31/32".....	-325	-171	-82	"	3/	4/
1" and above.....	-328	-174	-86	"	3/	4/

1/These data are averages of the differentials supplied by 8 Texas shippers (except as noted), each of whom presumably based their estimates on the following specific instructions: (a) data should be based on sales with no micronaire "control limits" or converted to an equivalent basis, (b) where the micronaire ranges, the "base" and the "control limits" as indicated differ from those your firm most frequently uses--or considers more desirable--make such conversions as may be necessary to supply the figures on the "basis this Item calls for," and (c) record discounts and premiums from the "base" as -(minus) and +(plus), respectively.

2/ Averages of data supplied by either 6 or 7 firms.

3/ Only 2 or 3 of the firms indicated there were any premiums for fineness for these quality combinations.

4/ Only one of the firms reported any differentials for these quality combinations.

Table 1. - Summary of data for the 1950-1951 season. The data are presented in the following order: (1) Date of collection; (2) Locality; (3) Number of specimens; (4) Sex; (5) Age; (6) Weight; (7) Length; (8) Wing; (9) Tail; (10) Culmen; (11) Tarsus; (12) Middle toe; (13) Bill; (14) Head; (15) Neck; (16) Body; (17) Wing; (18) Tail; (19) Culmen; (20) Tarsus; (21) Middle toe; (22) Bill; (23) Head; (24) Neck; (25) Body; (26) Wing; (27) Tail; (28) Culmen; (29) Tarsus; (30) Middle toe; (31) Bill; (32) Head; (33) Neck; (34) Body; (35) Wing; (36) Tail; (37) Culmen; (38) Tarsus; (39) Middle toe; (40) Bill; (41) Head; (42) Neck; (43) Body; (44) Wing; (45) Tail; (46) Culmen; (47) Tarsus; (48) Middle toe; (49) Bill; (50) Head; (51) Neck; (52) Body; (53) Wing; (54) Tail; (55) Culmen; (56) Tarsus; (57) Middle toe; (58) Bill; (59) Head; (60) Neck; (61) Body; (62) Wing; (63) Tail; (64) Culmen; (65) Tarsus; (66) Middle toe; (67) Bill; (68) Head; (69) Neck; (70) Body; (71) Wing; (72) Tail; (73) Culmen; (74) Tarsus; (75) Middle toe; (76) Bill; (77) Head; 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Table 2.--Low and high of shippers sales price fineness (or micronaire) differentials for specified quality combinations of Texas High Plains Cotton, week ending December 15, 1962 1/

Grades and staple length	Levels of micronaire reading											
	2.6 and below			2.7-2.9			3.0-3.4			3.5-3.9		
	Low	High	Points	Low	High	Points	Low	High	Points	Low	High	Points
Mid. White:												
7/8" and 29/32".....	-250	-425	-150	-275	-10	-150	Even	0	+50	0	+25	
15/16" and 31/32".....	-300	"	"	"	"	"	"	"	+75	"	+25	
1" and above.....	-150	"	-100	"	"	"	"	"	+100	"	+50	
Strict Low Mid. White:												
7/8" and 29/32".....	-200	"	-20	"	"	"	"	"	+50	"	+10	
15/16" and 31/32".....	-200	"	"	"	"	"	"	"	"	"	"	
1" and above.....	-300	"	"	"	"	-175	"	"	"	"	"	
Mid. Light Spot:												
7/8" and 29/32".....	-200	"	"	"	"	-150	"	"	"	"	+20	
15/16" and 31/32".....	-200	"	"	"	"	-150	"	"	"	"	"	
1" and above.....	-200	"	"	"	"	-175	"	"	"	"	"	
Strict Low Mid. Lt. Spot:												
7/8" and 29/32".....	-150	"	"	"	"	-200	"	"	+25	"	+10	
15/16" and 31/32".....	-175	"	"	"	"	-200	"	"	"	"	"	
1" and above.....	-200	"	"	-300	"	-225	"	"	"	"	"	

1/ Each of the individual figures is the lowest or highest of those reported by any of the responding shippers.
 2/ Reported by 3 firms for the Middling White qualities and 2 firms for all other qualities.
 3/ Reported by one firm only.

3.5 and above -- even
3.0 through 3.4 -- 100 points off
2.7 through 2.9 -- 200 points off
2.6 and below -- 350 points off

These differentials were reported as applicable to all tenderable grades, and to Strict Low Middling Spot, and Low Middling Light Spot. The same bulletin reported that the USDA's regulations do not provide for official publication by the Department of such differences, but that any changes in the committee's micronaire differentials would be released in the Lubbock Exchange's bulletins to members. Presumably such differences would also be released to the press, as were the initial differentials.

Up to the time this report was submitted for processing, no additional differentials had been released either by the Lubbock Exchange or by any other of the domestic exchanges. It is understood, however, that the exchange officials and quotation committees in the other 13 designated markets are considering the advisability of establishing fineness differentials for each of those markets.

In keeping with previously developed plans, it is expected that a second questionnaire will be distributed in March to the same shippers that received the first questionnaire. It is hoped that as a result of the above developments and the information in this report a much larger proportion of the questionnaires will be completed and returned within the designated period.

Comments and suggestions regarding this report and about other research which might be helpful in pricing U. S. cotton more effectively would be appreciated. These, as well as requests for additional copies of this report, should be sent to either of the following:

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Marketing Economics Division
Economic Research Service
U. S. Department of Agriculture
Washington 25, D. C.

William F. Harris, Head
Cotton Economic Research
The University of Texas
P. O. Box 8180, University Station
Austin 12, Texas

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FINENESS PRICE DIFFERENTIALS FOR TEXAS HIGH PLAINS COTTON
(Weeks ending April 13 and May 18, 1963)

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Cotton Economic Research
The University of Texas

Washington, D. C

July 1963



FINENESS PRICE DIFFERENTIALS FOR TEXAS HIGH PLAINS COTTON

(Weeks ending April 13 and May 18, 1963)

By Maurice R. Cooper and William F. Harris 1/

This is the second release summarizing some of the work being done under a research project initiated in 1962 as a result of widespread contentions that the failure of market prices (and in turn, loan rates) to reflect more adequately true differences in spinning value was seriously affecting the quality and the competitive position of U. S. cotton. Like the first release, it is based primarily on returns from mail questionnaires sent to cotton shippers operating in the major central markets in Texas who handle sizable volumes of Texas High Plains cotton. However, because of the increased availability of fineness differentials, this report also includes some significant comparisons of the results obtained from the first, second, and third questionnaires, all of which were limited to Texas High Plains cotton.

Results Obtained From April and May Questionnaires

Ten of the 23 firms receiving the questionnaires applicable to the weeks ending April 13 and May 21, 1963, completed and returned usable forms within an acceptable period of time. This was 2 more than returned the mid-December (1962) questionnaire and brought to 13 the number of firms which have filled in and returned one or more of the three forms.

Of the usable questionnaires returned, 9 of those for April and 6 of those for May included differentials for each of the 36 quality combinations involving micronaire readings below 3.5. For the other quality combinations (with micronaire readings of 4.0 and above) there were 4 of the April schedules and 2 of those for May where at least some of the 24 spaces were either left blank or a dash "--" was inserted. It is not unlikely, however, that some, or possibly all, of the latter respondents intended for these to be considered as "even" or as zero. 2/ In any event, it seems quite significant that (a) there were only 3 of the April and May respondents who reported any micronaire premiums or discounts for those higher micronaire combinations, and (b) over 75 percent of the respondents for these combinations (excluding blanks and dashes) were given as "even" or "0." These, and the small average differentials reported for high micronaire cottons, give important support to those who contend that the micronaire "base" should be "3.5 and above" and, therefore, that for the present at least such efforts as are made to establish dependable and widely accepted price differences for fineness should be directed largely toward cotton with micronaire readings below 3.5.

1/ Mr. Cooper is an agricultural economist in the Marketing Economics Division, Economic Research Service, U. S. Department of Agriculture, and Mr. Harris is Director, Cotton Economic Research, The University of Texas, which is a part of the Cotton Research Committee of Texas.

2/ This appears especially likely in the case of two of these respondents who previously indicated they thought the reporting "base should be 3.5 and better... as we get no premium or discount for the higher micronaire cotton."

For those who contend that micronaire differentials do not, or need not, vary because of grade or staple length, the results as reported by the responding shippers are less reassuring. While the relatively narrow spreads in the average differentials as given in the vertical columns in tables 1 and 2 provide considerable assurance, a review of the individual respondent's returns do not. For example, 8 of the 10 April and May respondents included discounts for micronaire readings of 2.6 and below, which varied as the grade and staple length varied by at least 25 points or \$1.25 per bale. Five of the April returns showed discounts for cotton in this low micronaire grouping which varied between grade and staple length combinations by 75 to 175 points (or \$3.75 to \$8.75 per bale) and 5 of those for May varied by 50 to 233 points (or \$2.50 to \$11.65 per bale). The spreads between the lows and highs for all reporting firms combined (tables 3 and 4) were, of course, much higher than those for the individual firms.

The second question on the April schedule (What are your comments and suggestions about the attached report covering the returns from the previous questionnaire?) brought responses from 7 of the shippers. The highlights of these are: 3/

We are somewhat surprised that your report prepared from earlier questionnaires shows approximately the same discount for low micronaire cotton in Inch and longer staple as is shown for the shorter staple lengths. It has been our experience that it is very difficult to sell low micronaire cotton in Inch and longer staple without making substantially greater discounts than we must make for the shorter lengths. Except for this difference, your report is about what we had anticipated.

Current micronaire differentials are still distorted due to availability of micronaire on Green Cards which put all but 3.3 and above and wasties in the Loan to a much greater extent than heretofore.

We feel that micronaire now is as important to the spinner as grade and staple and for this reason proper differences should be quoted. There is no doubt that the producer would have more incentive to harvest his cotton better if he knew that he would get a premium for 3.5 micronaire and better. Also, there is no doubt that with proper commercial differences quoted for low Micronaire this cotton would tend to move rather than go into the loan.

It is obvious that at least two of the reporting firms misunderstood the previous questionnaire or are not reporting correctly as shown in the section of low and high sales price differentials. No firm could sell 3.0 no control limit at 10 points under 3.5 no control limit, as there would be no buyers at this unrealistic difference. Also, no firm could sell 3.0 control limit 150 points under 3.5 no control limit without the express purpose of shipping wasty cotton or 2.7 and lower, therewith paying a micronaire claim according to the difference prevailing in the various markets.

3/ For the most part the wording is the same as was given by the respondent.

In my opinion this report appears to be very consistent with our own findings although the discounts for micronaire are slightly less than we find them to be.

Very complete and informative report. Think we should have these questionnaires more often. Cotton should be penalized for low mike when the cotton is classed by the Government Board the same as it is penalized for short staple, leaf or preparation; because I have to pay the same regardless of "mike"--however I take a loss when I resell if the mike is low.

Breakdown should be: Below 2.4; 2.5 --2.6; 2.7 --2.9; 3.0 --3.2; 3.3--3.4; 3.5 and better.

In the third (and last) item of the April questionnaire, the respondents were asked to indicate which, if any, of several alternatives they favored. In response, 7 of the responding firms indicated they favored asking the quotations committees to quote for fineness, 4 favored including a cross-section of domestic spinners in a questionnaire similar to the ones sent to shippers, and 3 expressed a desire to see such questionnaires include wider coverage of domestic shippers.

(Note: The questionnaire for May was limited to the one item on price differentials.)

Table 1.--Shippers average sales price fineness (or micronaire) differentials for specified quality combinations of Texas High Plains cotton, week ending April 13, 1963 1/

Grades and staple lengths	Levels of micronaire reading					
	2.6 and below	2.7-2.9	3.0-3.4	3.5-3.9	4.0-5.0	5.1 and above
	Points	Points	Points	Base	Points	Points
<u>Middling White:</u>						
7/8" and 29/32".....	<u>2/</u> -381	<u>2/</u> -265	<u>2/</u> -101	Even	<u>3/</u>	<u>5/</u>
15/16" and 31/32".....	<u>2/</u> -363	<u>2/</u> -253	<u>2/</u> - 90	"	<u>3/</u>	<u>5/</u>
1" and above.....	<u>2/</u> -363	<u>2/</u> -253	<u>2/</u> - 95	"	<u>3/</u>	<u>5/</u>
<u>Strict Low Mid. White:</u>						
7/8" and 29/32".....	-372	-232	- 98	"	<u>3/</u>	<u>5/</u>
15/16" and 31/32".....	-368	-230	- 95	"	<u>3/</u>	<u>5/</u>
1" and above.....	<u>2/</u> -381	<u>2/</u> -236	<u>2/</u> - 95	"	<u>3/</u>	<u>5/</u>
<u>Mid. Light Spot:</u>						
7/8" and 29/32".....	-362	-232	- 95	"	<u>3/</u>	<u>5/</u>
15/16" and 31/32".....	-358	-230	- 92	"	<u>3/</u>	<u>5/</u>
1" and above.....	<u>2/</u> -366	<u>2/</u> -244	<u>2/</u> -103	"	<u>3/</u>	<u>5/</u>
<u>Strict Low Mid. Lt. Spot:</u>						
7/8" and 29/32".....	-380	-240	- 96	"	<u>4/</u>	<u>5/</u>
15/16" and 31/32".....	-376	-238	- 93	"	<u>4/</u>	<u>5/</u>
1" and above.....	<u>2/</u> -391	<u>2/</u> -254	<u>2/</u> -104	"	<u>4/</u>	<u>5/</u>
Average for 12 combinations:	-372	-242	- 96	"	---	---

1/ These data are averages of the differentials supplied by 10 Texas shippers (except as noted), each of whom presumably based his estimates on the following specific instructions: (a) data should be based on shippers' sales of Texas High Plains cotton with no micronaire "control limits" or converted to an equivalent basis, (b) where the micronaire ranges, the "base" and the "control limits" as indicated differ from those your firm most frequently uses--or considers more desirable--make such conversions as may be necessary to supply the figures on the "basis this item calls for," and (c) record discounts and premiums from the "base" as -(minus) and +(plus), respectively.

2/ Averages of data supplied by either 8 or 9 firms.

3/ Of the 5 to 7 firms reporting for these quality combinations, 1 firm gave a "+25" differential for each of them. The other 4 to 6 firms reported these qualities as "even" or "0."

4/ Each of the 6 or 7 firms reporting for these qualities gave them as "even" or "0."

5/ Of the 6 or 7 firms reporting for these qualities, 1 firm gave them as "+25," "-25," or "-50," and the other 5 to 6 firms gave them as "even" or "0."

Table 2.--Shippers average sales price fineness (or micronaire) differentials for specified quality combinations of Texas High Plains cotton, week ending May 18, 1963 1/

Grades and staple length	Levels of micronaire reading					
	2.6 and below	2.7-2.9	3.0-3.4	3.5-3.9	4.0-5.0	5.1 and above
	Points	Points	Points	Base	Points	Points
<u>Middling White:</u>						
7/8" and 29/32".....	<u>2/</u> -336	<u>2/</u> -221	<u>2/</u> - 99	Even	<u>3/</u>	<u>5/</u>
15/16" and 31/32".....	<u>2/</u> -320	<u>2/</u> -208	- 89	"	<u>3/</u>	<u>5/</u>
1" and above.....	<u>2/</u> -334	<u>2/</u> -216	<u>2/</u> - 82	"	<u>3/</u>	<u>5/</u>
<u>Strict Low Mid. White:</u>						
7/8" and 29/32".....	<u>2/</u> -353	<u>2/</u> -219	<u>2/</u> -110	"	<u>3/</u>	<u>5/</u>
15/16" and 31/32".....	<u>2/</u> -341	<u>2/</u> -208	-100	"	<u>3/</u>	<u>5/</u>
1" and above.....	<u>2/</u> -370	<u>2/</u> -231	<u>2/</u> -102	"	<u>3/</u>	<u>5/</u>
<u>Mid. Light Spot:</u>						
7/8" and 29/32".....	<u>2/</u> -341	<u>2/</u> -219	<u>2/</u> -110	"	<u>3/</u>	<u>5/</u>
15/16" and 31/32".....	<u>2/</u> -330	<u>2/</u> -208	-100	"	<u>3/</u>	<u>5/</u>
1" and above.....	<u>2/</u> -349	<u>2/</u> -228	<u>2/</u> -110	"	<u>3/</u>	<u>5/</u>
<u>Strict Low Mid. Lt. Spot:</u>						
7/8" and 29/32".....	-364	-240	-121	"	<u>4/</u>	<u>6/</u>
15/16" and 31/32".....	<u>2/</u> -368	<u>2/</u> -241	<u>2/</u> -121	"	<u>4/</u>	<u>6/</u>
1" and above.....	<u>2/</u> -381	<u>2/</u> -248	<u>2/</u> -119	"	<u>4/</u>	<u>6/</u>
Average for 12 combinations:	-349	-224	-105	"	---	---

1/ See footnote 1/ of table 1.

2/ Averages of data supplied by either 7, 8, or 9 firms, except for Middling Light Spotted 1" and above which includes only 6 firms.

3/ Of the 7 to 10 firms giving a figure for these quality combinations, 6 to 9 firms reported "0," 1 gave "+25," and 1 gave figures ranging from "+60" to "-200."

4/ Each of the 8 or 9 firms giving a figure for those quality combinations reported "0."

5/ Of the 7 to 9 firms giving a figure for these quality combinations, 6 or 7 firms reported "0," 1 gave "+25," and 1 gave "-25" for these combinations.

6/ Of the 8 or 9 firms giving a figure for these quality combinations, 7 or 8 firms reported "0" and 1 gave "-25."

Table 3 Low and high of shippers sales price fineness (or micronaire) differentials for specified quality combinations of Texas High Plains cotton, week ending April 13, 1965 1/

Grades and staple length	Levels of micronaire reading											
	2.6 and below:			2.7-2.9			3.0-3.4			3.5-3.9		
	Low	High	Points	Low	High	Points	Low	High	Points	Low	High	Points
Points	Points	Points	Points	Points	Points	Points	Points	Points	Points	Points	Points	Points
Middling White:												
7/8" and 29/32"	-300	-500	-200	-350	-50	-220	Even			0	+25	0
15/16" and 31/32"	-275	-500	-175	-550	-50	-125	"			0	+25	0
1" and above	-225	-500	-125	-350	-50	-150	"			0	+25	0
Strict Low Mid. White:												
7/8" and 29/32"	-300	-500	-150	-350	-50	-175	"			0	+25	0
15/16" and 31/32"	-275	-500	150	350	50	-175	"			0	+25	0
1" and above	-225	-500	-150	-350	-50	-175	"			0	+25	0
Mid Light Spot:												
7/8" and 29/32"	300	-500	-150	-350	-50	-175	"			0	+25	0
15/16" and 31/32"	-275	-500	-150	350	-50	125	"			0	+25	0
1" and above	-225	-500	-150	-350	50	175	"			0	+25	0
Strict Low Mid. Lt. Spot:												
7/8" and 29/32"	-300	-550	150	350	-50	165	"			0	0	0
15/16" and 31/32"	-265	-550	150	-350	-50	-150	"			0	0	0
1" and above	225	-550	-125	-350	-50	165	"			0	0	0
Average for 12 combinations	225	-550	-125	350	50	220	"			0	+25	0

1/ Each of the individual figures is the lowest or highest of those reported by any of the responding shippers. See footnotes 2/ to 5/ of Table 1 for number of firms reporting for each quality combination.

2/ One firm reported this "-50" and one reported "+25."

3/ One firm reported this "-50," one reported "+25," and one ".25."

4/ One firm reported this "-50," and one reported "25."

Table 4.--Low and high of shippers sales price fineness (or micronaire) differentials for specified quality combinations of Texas High Plains cotton, week ending May 18, 1963 1/

Grades and staple length	Levels of micronaire reading											
	2.6 and below:			2.7-2.9			3.0-3.4			3.5-3.9		
	Low	High	Points	Low	High	Points	Low	High	Points	Low	High	Points
Middling White:	Points	Points	Points	Points	Points	Points	Points	Points	Points	Points	Points	Points
7/8" and 29/32".....	-200	-400	-150	-300	-50	-225	Even	0	-150	0	+25	
15/16" and 31/32".....	-250	-400	-150	-250	-50	-150	"	0	-113	0	+25	
1" and above.....	-190	-500	-90	-350	-15	-150	"	0	+60	0	+25	
Strict Low Mid. White:	Points	Points	Points	Points	Points	Points	Base	Points	Points	Points	Points	Points
7/8" and 29/32".....	-200	-475	-150	-375	-40	-300	"	0	-200	0	+25	
15/16" and 31/32".....	-225	-420	-150	-320	-50	-245	"	0	-145	0	+25	
1" and above.....	-275	-500	-200	-300	-50	-200	"	0	-67	0	+25	
Mid. Light Spot:	Points	Points	Points	Points	Points	Points	Base	Points	Points	Points	Points	Points
7/8" and 29/32".....	-200	-400	-150	-375	-40	-300	"	0	-200	0	+25	
15/16" and 31/32".....	-225	-420	-150	-320	-50	-245	"	0	+25	0	+25	
1" and above.....	-275	-500	-200	-300	-50	-200	"	0	+25	0	+25	
Strict Low Mid. Lt. Spot:	Points	Points	Points	Points	Points	Points	Base	Points	Points	Points	Points	Points
7/8" and 29/32".....	-200	-525	-150	-445	-50	-370	"	0	0	0	-25	
15/16" and 31/32".....	-225	-490	-150	-390	-50	-315	"	0	0	0	-25	
1" and above.....	-275	-500	-150	-350	-50	-258	"	0	0	0	-25	
Average for 12 combinations...	-190	-525	-90	-445	-40	-370	"	0	-200	0	+25	

1/ Each of the individual figures is the lowest or highest of those reported by any of the responding shippers.

2/ Reported by 3 firms for the Middling White qualities and 2 firms for all other qualities.

3/ Reported by one firm only.

Changes in Fineness Differentials Between mid-December
mid-April, and mid-May

Between the first two reporting periods (the weeks ending December 15, 1962 and April 13, 1963) the average discounts as reported by responding shippers widened substantially. As may be seen in table 5, this widening occurred in the case of each of the 36 quality combinations shown. By far the largest of these changes, both in points per pound and in percent, were for those combinations involving micronaire readings of 2.7 to 2.9. The smallest percentage changes occurred in those with micronaire readings of 2.6 and below. Since the Government loan program in recent years has included a discount of 400 points for cotton which miked 2.6 or lower, it would be reasonable to expect this micronaire grouping to show the greatest stability in this formative period when publically available differentials for other micronaire groupings were made available for the first time.

Between mid-April and mid-May the average micronaire discounts for cotton miking 2.6 and below and 2.7 to 2.9 became smaller in 22 of the 24 grade and staple length combinations involved. In the case of the 12 quality combinations involving micronaire readings of 3.0 to 3.4 there were 4 combinations where the discounts declined and 8 where they increased. During this period the overall changes on a percentage basis were smallest for the two lower micronaire groups and largest for the 3.0 to 3.4 group. On the whole, the changes between mid-April and mid-May were much smaller than those occurring between mid-December and mid-April.

A number of factors no doubt contributed to the above changes in micronaire discounts. However, the only ones considered at this time are those relating to the comparability of the data. Because of variations both in (a) the relatively few shippers that supplied data for some or all of the quality combinations listed, and in (b) the level of the discounts given by the individual respondents for particular quality combinations, the differentials given in this and in the preceding report are not completely comparable. Consequently, these factors would have accounted for some of the changes even if the effects of all other factors had been negligible. In view of this a few comparisons have been made to indicate something of the extent to which these factors combined have affected both the discounts as reported in tables 1 and 2 and the changes given in table 5. For this purpose the discounts for the micronaire group 2.7 to 2.9 was selected since these have shown the greatest changes.

When the average discounts for all 12 quality combinations of 2.7 to 2.9 micronaire cotton as given by the 6 individual shippers reporting for both the mid-December and mid-April periods are compared, the change was 6 points larger than the 64-point change in the averages for all reporting firms. Comparable comparisons in terms of the changes between April and May show an 11 point variation between the change based on all reporting firms and that based on the 7 firms reporting for both periods. ^{4/} While these are probably significant

^{4/} Data from only 7 of the 8 firms that gave at least some of the desired information for both mid-April and mid-May was used in these comparisons since 1 of them failed to give any differentials for more than one-half of the quality combinations applicable to 2.7 to 2.9 micronaire cotton.

differences, they are not considered large enough to be disturbing. In fact, because of the existing circumstances and possibilities, considerably larger variations would not have been surprising. 5/

Comments and suggestions regarding this report and about other research which might be helpful in pricing U. S. cotton more effectively would be appreciated. These, as well as requests for additional copies of this report, should be sent to either of the following:

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5/ There are a number of circumstances and possibilities that help determine the individual respondents' ability to accurately determine sales price fineness differentials applicable to the time periods and the quality combinations called for. Probably 2 of the most important of these are: (1) the limited experience of the respondents in attempting to establish separate price differentials of this nature and (2) the improbability, especially among the small and medium size shippers, that their sales and inquiries in these relatively short periods included much, if any, of the several quality combinations specifically provided for in the form used in this study.

Table 5. Changes in shippers average sales price fineness (or micronaire) discounts for specified quality combinations of Texas High Plains cotton, from mid-December to mid-April and from mid-April to mid-May 1963 1/

Grades and staple length	Levels of micronaire reading and periods involved--					
	2.6 and below			2 7-2 9		
	From : mid-Dec. to mid-Apr	From : mid-Apr to mid-May	From : mid Dec to mid-Apr	From : mid Apr to mid-May	From : mid-Dec. to mid-Apr	From : mid-Apr to mid-May
	Points	Points	Points	Points	Points	Points
Middling White:						
7/8" and 29/32"	+31	-45	+61	-44	+24	-2
15/16" and 31/32"	+5	-43	+45	-45	+13	-1
1" and above	+21	-29	+32	-37	+16	-13
Strict Low Mid. White:						
7/8" and 29/32"	+33	19	+70	-13	+25	+12
15/16" and 31/32"	+22	-27	+65	-22	+19	+5
1" and above	+24	-11	+62	-5	+10	+7
Mid. Light Spot:						
7/8" and 29/32"	+41	-21	+73	-13	+25	+15
15/16" and 31/32"	+40	-28	+68	-22	+19	+8
1" and above	+37	-17	+73	-16	+21	+7
Strict Low Mid Lt. Spot						
7/8" and 29/32"	+59	-16	+72	0	+17	+25
15/16" and 31/32"	+51	-8	+67	+3	+11	+28
1" and above	+63	-10	+80	-6	+18	+15
Average for 12 combinations						
Actual	+43	23	+64	-18	+18	+9
(Percentage)	(+13%)	(-5%)	(+36%)	(-7%)	(+23%)	(+9%)

1/ See Tables 1 and 2 of this report and Table 1 of earlier report for the differentials used in computing these changes The plus (+) changes indicate that the discounts for the most recent of the two periods were larger, while the minus (-) changes indicate the discounts for the most recent period were smaller.